

115TH CONGRESS
1ST SESSION

H. R. 3015

To amend the Real Estate Settlement Procedures Act of 1974 to provide protections to borrowers, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JUNE 22, 2017

Ms. MICHELLE LUJAN GRISHAM of New Mexico introduced the following bill; which was referred to the Committee on Financial Services

A BILL

To amend the Real Estate Settlement Procedures Act of 1974 to provide protections to borrowers, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “National Homeowners
5 Bill of Rights Act of 2017”.

6 **SEC. 2. SERVICER TREATMENT OF BORROWERS.**

7 (a) IN GENERAL.—Section 6 of the Real Estate Set-
8 tlement Procedures Act of 1974 (12 U.S.C. 2605) is
9 amended by adding at the end the following:

10 “(n) SERVICER TREATMENT OF BORROWERS.—

1 “(1) SERVICER REQUIREMENTS.—

2 “(A) SINGLE ELECTRONIC RECORD AND
3 SINGLE POINT OF CONTACT.—Each servicer of
4 a federally related mortgage loan, or agents of
5 such servicer, shall, with respect to the bor-
6 rower, establish a single electronic record for
7 each account, the contents of which shall be ac-
8 cessible throughout the servicer, or agents of
9 such servicer, including to all affordable loan
10 modification staff, all foreclosure staff, and all
11 bankruptcy staff.

12 “(B) AVAILABILITY OF NET PRESENT
13 VALUE INFORMATION.—Servicers shall maintain
14 a free and publicly accessible website where bor-
15 rowers may check their estimated net present
16 value.

17 “(2) PROTECTIONS FOR HOMEOWNERS WITH
18 LIMITED ENGLISH PROFICIENCY.—

19 “(A) FREE ORAL INTERPRETATION.—
20 Servicers shall provide free oral interpretation
21 services for borrowers whose files include a no-
22 tation of a preferred language other than
23 English or who request such services and such
24 services may be provided by contracting with
25 housing counseling agencies that are approved

1 by the Department of Housing and Urban De-
2 velopment and that have appropriate language
3 capacity. The servicer shall ensure that the per-
4 son providing the oral interpretation services
5 has specific knowledge of loss mitigation and
6 mortgage terms.

7 “(B) NOTIFICATION OF AVAILABLE AS-
8 SISTANCE.—

9 “(i) IN GENERAL.—Servicers shall
10 provide each borrower with a notice—

11 “(I) stating that the borrower
12 may receive assistance in a language
13 other than English; and

14 “(II) containing information on
15 how to request such assistance.

16 “(ii) FORM OF NOTICE.—The Bureau
17 may issue regulations to provide for the
18 form, content, and manner of service of the
19 notice described under clause (i).

20 “(iii) NOTICE ON TRANSFER.—Each
21 transferee servicer to whom the servicing
22 of any federally related mortgage loan is
23 assigned, sold, or transferred shall include
24 the notice required under this paragraph in
25 the notice required under subsection (c).

1 “(C) NOTATION IN FILE.—Servicers
2 shall—

3 “(i) note a request for translation
4 services in the borrower’s file and make
5 such note available to all relevant servicer
6 personnel; and

7 “(ii) note in the borrower’s file any
8 time the borrower has communicated or
9 sought to communicate with the servicer in
10 a language other than English, and shall
11 include such other language.

12 “(D) TRANSLATED DOCUMENTS.—

13 “(i) PROVIDING DOCUMENTS.—

14 “(I) IN GENERAL.—Servicers
15 shall, if a borrower asks for translated
16 documents or if the borrower’s file
17 contains a notation that the borrower
18 has a language preference other than
19 English or if the borrower has already
20 requested oral interpretation services,
21 provide key documents to the bor-
22 rower translated into the language of
23 the borrower, including—

24 “(aa) periodic statements;

1 “(bb) affordable loan modi-
2 fication applications, including
3 hardship affidavits;

4 “(cc) denial notices;

5 “(dd) loan modification of-
6 fers, including any trial period
7 plan; and

8 “(ee) such other documents
9 as the Bureau may determine ap-
10 propriate.

11 “(II) EXCEPTION.—Subclause (I)
12 shall only require providing documents
13 in—

14 “(aa) commonly spoken lan-
15 guages in the United States, as
16 determined by the Bureau; and

17 “(bb) with respect to a par-
18 ticular servicer, languages spoken
19 by a significant number of indi-
20 viduals living in any markets in
21 which the servicer does business,
22 as determined by the Bureau.

23 “(III) BUREAU CONSIDERATION
24 OF CENSUS DATA.—In making deter-
25 minations under this clause, the Bu-

1 reau shall take into consideration data
2 from the Bureau of the Census on
3 percentages of individuals who re-
4 ported they speak English less than
5 ‘very well’.

6 “(ii) ACCEPTING DOCUMENTS.—
7 Servicers shall only be required to accept
8 documents in languages in which the
9 servicer already provides documents, that
10 are considered to be part of routine busi-
11 ness transactions in the market in which
12 the mortgage loan was made, or that are
13 used in documents provided to the public
14 by any department or agency of the Fed-
15 eral Government.

16 “(iii) EXCEPTION.—Clause (i) shall
17 not apply to small servicers, as defined
18 under section 1026.41(e)(4)(ii) of title 12,
19 Code of Federal Regulations.

20 “(iv) DEVELOPMENT OF GLOSSARY OF
21 TERMS.—The Bureau shall develop a glos-
22 sary of mortgage loan and loss mitigation
23 terms in each commonly spoken language
24 in the United States, and make such glos-
25 sary available to servicers and the public.

1 “(E) CONTINUING REQUIREMENT.—Once
2 a servicer has begun to communicate with a
3 borrower in a particular language, the servicer
4 shall continue to communicate with the bor-
5 rower in that language unless otherwise re-
6 quested by the borrower.

7 “(3) REQUIREMENTS DURING AFFORDABLE
8 LOAN MODIFICATION PROCESS.—

9 “(A) BORROWERS FACING IMMINENT DE-
10 FAULT.—Servicers shall evaluate a borrower
11 facing imminent default (as such term is de-
12 fined by the Bureau), as well as those in de-
13 fault, for affordable loan modification assist-
14 ance, as described in this subsection.

15 “(B) ASSISTANCE TO BORROWERS.—

16 “(i) ASSISTANCE IN APPLYING FOR
17 AFFORDABLE LOAN MODIFICATION.—
18 Servicers shall—

19 “(I) have available and sufficient
20 staff to answer questions borrowers
21 may have about filling out documents;
22 and

23 “(II) provide borrowers a list of
24 nonprofit legal services organizations
25 and housing agencies approved by the

1 Department of Housing and Urban
2 Development, that can assist the bor-
3 rowers with documents.

4 “(ii) TREATMENT OF SUCCESSORS IN
5 INTEREST.—Servicers shall—

6 “(I) provide full information and
7 complete loss mitigation options to
8 successor homeowners protected from
9 an acceleration of a mortgage loan
10 under the Garn-St Germain Deposi-
11 tory Institutions Act of 1982, if re-
12 quested by the successor homeowner;
13 and

14 “(II) review a mortgage loan for
15 loss mitigation, as though the suc-
16 cessor homeowner was the borrower,
17 and provide a decision on available
18 loss mitigation prior to an assumption
19 of the mortgage loan, if requested by
20 the succeeding homeowner.

21 “(C) SIMULTANEOUS REVIEW FOR ALL
22 LOSS MITIGATION OPTIONS.—A servicer shall si-
23 multaneously evaluate a borrower for all avail-
24 able loss mitigation options, including an af-
25 fordable loan modification.

1 “(D) RULE OF CONSTRUCTION.—Nothing
2 in this subsection shall be construed as prohib-
3 iting a servicer from considering a borrower for
4 other loss mitigation options, so long as the
5 servicer first offers the borrower an affordable
6 loan modification if the borrower is eligible for
7 such a modification.

8 “(E) REQUIREMENTS RELATED TO TRANS-
9 FER OF LOANS.—

10 “(i) IN GENERAL.—For any transfer
11 of servicing to a successor servicer of a
12 federally related mortgage loan or
13 subservicer, the transferring servicer
14 shall—

15 “(I) inform the successor servicer
16 (including a subservicer) whether a
17 loan modification request is pending;

18 “(II) provide the successor
19 servicer with all documentation re-
20 lated to the mortgage loan, including
21 any documentation relating to a loan
22 modification or loss mitigation proc-
23 ess;

1 “(III) ensure that the successor
2 servicer has the operational capacity
3 to manage the transferred loan;

4 “(IV) ensure that the successor
5 servicer shall accept and continue
6 processing prior loan modification re-
7 quests, by including such requirement
8 in the agreement made between the
9 servicers when transferring the loan;

10 “(V) ensure that successor
11 servicer shall honor trial and perma-
12 nent loan modification agreements en-
13 tered into by the transferring servicer
14 by including such requirement in the
15 agreement made between the servicers
16 when transferring the loan; and

17 “(VI) notify the borrower of the
18 transferred loan that the new servicer
19 is required to accept and continue
20 processing prior loan modification re-
21 quests, if any, and is required to
22 honor trial and permanent loan modi-
23 fication agreements entered into by
24 the transferring servicer, if any.

1 “(ii) HONORING OF EXISTING LOAN
2 MODIFICATIONS AND APPLICATIONS IN
3 PROCESS.—The successor servicer shall
4 agree to honor and accept any existing
5 loan modification and continue any loan
6 modification applications.

7 “(iii) PROHIBITION ON FORE-
8 CLOSURE.—During the 60-day period be-
9 ginning on the effective date of transfer of
10 the servicing of any federally related mort-
11 gage loan, the mortgage loan subject to
12 such transfer may not be subject to initi-
13 ation of a judicial or nonjudicial fore-
14 closure or be subject to a foreclosure sale.

15 “(4) SUBSEQUENT APPLICATIONS FOR AFFORD-
16 ABLE LOAN MODIFICATION.—If a borrower has sub-
17 mitted an application or request in the past, the
18 servicer shall allow such borrower to make a subse-
19 quent affordable loan modification application if the
20 borrower experiences a material change in cir-
21 cumstances, as defined by the Bureau.

22 “(5) LIMITATION ON FORECLOSURE PRO-
23 CEEDINGS.—

1 “(A) HALT TO FORECLOSURE AND CAN-
2 CELLATION OF SCHEDULED SALE PENDING AP-
3 PLICATION.—

4 “(i) IN GENERAL.—If a borrower sub-
5 mits an initial application for affordable
6 loan modification assistance more than 7
7 business days before a scheduled fore-
8 closure sale, the servicer must stop and
9 cancel the foreclosure sale and may not
10 continue a nonjudicial foreclosure or a ju-
11 dicial foreclosure against the mortgagor.

12 “(ii) TREATMENT IF NO FORE-
13 CLOSURE HAS BEEN INITIATED.—For pur-
14 poses of clause (i), if no foreclosure has
15 been initiated at the time of a mortgagor’s
16 initial application for affordable loan modi-
17 fication assistance, then an initial applica-
18 tion is deemed to have been submitted
19 more than 7 business days before a sched-
20 uled foreclosure sale.

21 “(iii) TREATMENT IF A FORECLOSURE
22 HAS BEEN INITIATED BUT NO SALE
23 SCHEDULED.—For purposes of clause (i),
24 if a foreclosure has been initiated at the
25 time of the mortgagor’s initial application

1 for affordable loan modification assistance,
2 but a foreclosure sale has not been sched-
3 uled, then an initial application is deemed
4 to have been submitted more than 7 busi-
5 ness days before a scheduled foreclosure
6 sale.

7 “(B) FORECLOSURE PROCEEDINGS PER-
8 MITTED.—Notwithstanding subparagraph (A),
9 a servicer may initiate or continue a judicial or
10 nonjudicial foreclosure under State law against
11 a borrower, if—

12 “(i) the servicer—

13 “(I) determines that the borrower
14 is not eligible for a modification;

15 “(II) notifies the borrower of the
16 determination under subclause (I);
17 and

18 “(III) provides the borrower—

19 “(aa) a copy of any net
20 present value calculation made by
21 the servicer in relation to an af-
22 fordable loan modification, in-
23 cluding any information pro-
24 viding a basis for such net
25 present value calculation;

1 “(bb) a copy of any note,
2 deed of trust, or other document
3 necessary to establish the right of
4 the servicer to foreclose on the
5 mortgage, including proof of as-
6 signment of the mortgage to the
7 servicer and the right of the
8 servicer to enforce the relevant
9 note under the law of the State
10 in which the real property secur-
11 ing the mortgage is located;

12 “(cc) a copy of any language
13 in the pooling or servicing agree-
14 ment with respect to the mort-
15 gage that the servicer relies upon
16 in asserting that it is prohibited
17 or limited in providing a modi-
18 fication of the mortgage note;

19 “(dd) a copy of all cor-
20 respondence between the servicer
21 and the borrowers and investors
22 in which the servicer attempts to
23 obtain permission to make a
24 modification; and

1 “(ee) the alternatives to
2 foreclosure available to the bor-
3 rower, including deed in lieu of
4 foreclosures and short sales; or

5 “(ii) a borrower—

6 “(I) declines to be considered for
7 a loan modification in writing or de-
8 clines an affordable modification in
9 writing; or

10 “(II) does not respond to the
11 servicer’s outreach activities (as de-
12 fined by the Bureau) to obtain under-
13 lying information to complete an ap-
14 plication or fails to make a trial or
15 permanent loan modification payment.

16 For purposes of clause (i), a ‘pooling and serv-
17 icing agreement’ is any contract establishing
18 the transaction rights and duties of the parties
19 to any mortgage-backed securitization trans-
20 action.

21 “(C) BAR TO FORECLOSURE.—Failure to
22 comply with the requirements of this paragraph
23 shall be a bar to the foreclosure of a mortgage,
24 deed of trust, or substantially similar instru-
25 ment.

1 “(D) FEES.—

2 “(i) WAIVER OF LATE FEES.—If a
3 borrower’s application for affordable loan
4 modification assistance is accepted, the
5 servicer shall waive any foreclosure fees
6 and any late fees related to the delin-
7 quency in payment.

8 “(ii) NO FEE ACCRUAL WHILE APPLI-
9 CATION IS PENDING.—A borrower shall not
10 accrue additional late or foreclosure fees
11 during the period beginning on the date
12 that the borrower submits an affordable
13 loan modification application and the date
14 on which the servicer makes a determina-
15 tion on such application.

16 “(E) NOTIFICATION.—With respect to a
17 foreclosure sale that is postponed by reason of
18 this subsection, the servicer shall notify the bor-
19 rower in writing of such postponement and, if
20 a date for such foreclosure sale is rescheduled,
21 shall notify the borrower in writing of the new
22 foreclosure sale date.

23 “(F) CERTIFICATION OF DETERMINATION
24 OF ELIGIBILITY REQUIRED FOR SALE.—

1 “(i) SALE OF PROPERTY PROHIB-
2 ITED.—If the servicer of a mortgage does
3 not file a certification with the appropriate
4 land records office in the jurisdiction where
5 the property securing the mortgage is lo-
6 cated, stating that the servicer has deter-
7 mined the eligibility of the mortgagor for
8 an affordable loan modification in compli-
9 ance with this subsection—

10 “(I) the mortgagee may not sell
11 the property securing the mortgage;
12 and

13 “(II) no person that purchases
14 the property securing the mortgage
15 may initiate an action to recover pos-
16 session of the property.

17 “(ii) VIOLATIONS.—A sale of property
18 in violation of this subparagraph shall be
19 void.

20 “(G) INITIAL APPLICATION DEFINED.—

21 For purposes of this paragraph, the term ‘ini-
22 tial application’ means a completed Uniform
23 Borrower Assistance Form 710 of the Federal
24 National Mortgage Association or the Federal
25 Home Loan Mortgage Corporation, a Request

1 for Modification and Affidavit of the Making
2 Home Affordable Program, or other equivalent
3 form that sets forth the borrower’s financial, in-
4 come, and hardship information and Form
5 4506–T of the Internal Revenue Service.

6 “(6) AFFORDABLE LOAN MODIFICATIONS.—

7 “(A) AFFORDABLE LOAN MODIFICATION
8 DEFINED.—For purposes of this subsection, the
9 term ‘affordable loan modification’ means an
10 agreement to reduce the amount of scheduled
11 regular payments, determined by the borrower’s
12 debt-to-income ratio or residual income, and
13 subject to such terms and conditions as may be
14 set by the Bureau, including any reduction of
15 the principal amount of the mortgage note as
16 described in paragraph (4), that is reflected in
17 a permanent change to the terms of the mort-
18 gage note under such terms as the Bureau shall
19 define.

20 “(B) CALCULATION OF TARGET AFFORD-
21 ABLE REGULAR MORTGAGE PAYMENT.—For
22 purposes of this paragraph, the target afford-
23 able regular mortgage payment shall be an
24 amount determined by the borrower’s debt-to-
25 income ratio or residual income, and subject to

1 such terms and conditions as may be set by the
2 Bureau, subject to such terms and conditions as
3 may be set by the Bureau. Such terms shall be
4 based on a fully amortizing principal and inter-
5 est payment over the remainder of the term of
6 the mortgage, as modified by any reduction in
7 principal.

8 “(C) ELIGIBILITY.—A mortgagor shall be
9 eligible to participate in an affordable loan
10 modification if—

11 “(i) such person is a borrower under
12 a federally related loan secured by the
13 principal residence of the borrower or a
14 person eligible to assume such a loan as a
15 successor homeowner protected from an ac-
16 celeration of a mortgage loan under the
17 Garn-St Germain Depository Institutions
18 Act of 1982, who is unable to make pay-
19 ments on a federally related mortgage loan
20 under such criteria as the Director of the
21 Bureau shall define, in consultation with
22 the Secretary of Housing and Urban De-
23 velopment and the Secretary of the Treas-
24 ury;

1 “(ii) such residence is occupied by the
2 mortgagor; and

3 “(iii) the loan modification has a posi-
4 tive net present value (as defined under
5 subparagraph (D)(ii)(IV)(bb)).

6 “(D) EARNED PRINCIPAL FORGIVENESS.—

7 “(i) IN GENERAL.—If, after reducing
8 mortgage note principal under earned prin-
9 cipal forgiveness provided in clause (ii), a
10 target affordable regular mortgage pay-
11 ment has not been achieved, the servicer of
12 the mortgage shall comply with the afford-
13 able loan modification plan waterfall steps
14 as set out by the Bureau of interest rate
15 reduction, term extension, and principal
16 forbearance, as necessary to achieve a tar-
17 get affordable regular mortgage payment.

18 “(ii) EARNED PRINCIPAL FORGIVE-
19 NESS.—

20 “(I) PRINCIPAL REDUCTION.—

21 The Bureau shall determine standards
22 by which a mortgagor who has re-
23 ceived an affordable loan modification
24 shall remain in good standing in order
25 to participate in a reduction in mort-

1 gage note principal under this para-
2 graph.

3 “(II) PRINCIPAL REDUCTION RE-
4 QUIRED.—Except as provided under
5 subclause (III), a servicer shall offer a
6 borrower an affordable loan modifica-
7 tion having the maximum amount of
8 principal reduction that results in a
9 positive net present value calculation.
10 For purposes of calculating net
11 present value, a servicer may use their
12 own formula, if it has been approved
13 by the Bureau, or may use a default
14 formula determined by the Bureau.

15 “(III) EXCEPTIONS.—

16 “(aa) GREATER PRINCIPAL
17 REDUCTION.—A servicer may
18 offer a greater principal reduc-
19 tion, if such a reduction is con-
20 sistent with the terms of any con-
21 tract with respect to the mort-
22 gage.

23 “(bb) LOAN-TO-VALUE
24 RATIO.—A servicer is not re-
25 quired to offer a principal reduc-

1 tion that would result in a loan-
2 to-value ratio of less than 100
3 percent.

4 “(IV) RULES OF CONSTRU-
5 TION.—

6 “(aa) MAXIMUM AMOUNT OF
7 PRINCIPAL REDUCTION.—A prin-
8 cipal reduction amount may be
9 considered the maximum amount
10 if it is within \$1,000 of the ac-
11 tual maximum amount.

12 “(bb) POSITIVE NET
13 PRESENT VALUE CALCULA-
14 TION.—A net present value cal-
15 culation shall be deemed to be
16 ‘positive’ for the mortgage inves-
17 tors if the net present value re-
18 sult for an affordable loan modi-
19 fication scenario is greater than
20 the net present value result if no
21 affordable loan modification is
22 made. Net present value shall be
23 calculated as the benefit of all in-
24 vestors in a securitization rather

1 than the benefit of any particular
2 class of investors.

3 “(V) PRINCIPAL FORGIVENESS.—

4 “(aa) TREATMENT OF PRIN-
5 CIPAL REDUCTION AMOUNT.—

6 Any amount of principal reduc-
7 tion under subclause (II) shall be
8 treated as noninterest-bearing
9 principal forbearance until the
10 dates described under item (bb).

11 The principal reduction described
12 in this clause shall be deemed to
13 be separate from and exclusive of
14 any other forbearance that may
15 be offered in conjunction with a
16 modification under an affordable
17 loan modification program.

18 “(bb) REDUCTION OF PRIN-
19 CIPAL.—The servicer of a mort-
20 gage modified under an afford-
21 able loan modification plan shall
22 reduce the unpaid balance of the
23 principal of the mortgage by an
24 amount equal to $\frac{1}{3}$ of the total
25 amount of the principal reduction

1 under subclause (II) on each of
2 the following dates:

3 “(AA) The date that is
4 1 year after the date on
5 which the affordable loan
6 modification begins.

7 “(BB) The date that is
8 2 years after the date on
9 which the affordable loan
10 medication begins.

11 “(CC) The date that is
12 3 years after the date on
13 which the affordable loan
14 modification begins.

15 “(VI) CERTAIN MODIFICA-
16 TIONS.—With respect to a borrower
17 that is not underwater and does not
18 qualify for principle reduction, the
19 servicer shall offer such borrower an
20 affordable loan modification to reach
21 the target affordable regular mortgage
22 payment amount, if the borrower
23 qualifies.

24 “(E) TREATMENT OF JUNIOR LIENS.—

25 With respect to a borrower, if a primary mort-

1 gage loan is modified pursuant to this para-
2 graph, the servicer of any junior mortgage loan
3 shall offer to modify or extinguish the second
4 lien according to requirements established by
5 the Bureau.

6 “(F) RULE OF CONSTRUCTION.—Nothing
7 in this subsection shall be construed as prohib-
8 iting a servicer from providing a loan modifica-
9 tion that does not produce a positive net
10 present value (as defined under subparagraph
11 (D)(ii)(IV)(bb)).

12 “(7) BAR TO FORECLOSURE.—In any judicial
13 or nonjudicial foreclosure proceeding, it shall be a
14 bar to foreclosure that the servicer of the federally
15 related mortgage loan on the property to be fore-
16 closed violated any provision of this subsection.

17 “(o) MORTGAGE SERVICER OMBUDSMAN.—

18 “(1) IN GENERAL.—The Director of the Bureau
19 shall appoint a Mortgage Servicer Ombudsman (the
20 ‘Ombudsman’) within the Bureau.

21 “(2) DUTIES.—The Ombudsman shall provide
22 assistance to servicers and borrowers in complying
23 with Federal law with respect to the servicing of
24 mortgage loans and offer resolution to borrowers
25 who are facing noncompliance.

1 “(3) FOCUS ON LOW-INCOME BORROWERS.—In
2 carrying out this subsection, the Ombudsman shall
3 focus on providing assistance to low-income bor-
4 rowers.

5 “(4) CONSULTATION.—The Ombudsman shall
6 consult with—

7 “(A) attorneys general of States in car-
8 rying out this section; and

9 “(B) other offices of the Bureau that en-
10 gage in dispute resolution.

11 “(5) NONDUPLICATION.—The Ombudsman may
12 not carry out any activities that would be duplicative
13 with activities of other Bureau offices.

14 “(p) PENALTIES FOR ROBO-SIGNING.—Any servicer
15 who records or files with a land records office or a court
16 more than one document with material deficiencies with
17 respect to a mortgage loan shall be subject to a fine of
18 not more than \$7,500 for each such loan.”.

19 (b) DAMAGES AND COSTS.—Section 6(f) of the Real
20 Estate Settlement Procedures Act of 1974 (12 U.S.C.
21 2605(f)) is amended by striking “a pattern or practice of”
22 each place such term appears.

23 **SEC. 3. PREFERRED LANGUAGE OF CONSUMER.**

24 Section 129B of the Truth in Lending Act (15 U.S.C.
25 1639b) is amended by adding at the end the following:

1 “(g) PREFERRED LANGUAGE OF CONSUMER.—

2 “(1) APPLICATION QUESTION.—In any applica-
3 tion used by a mortgage originator for a residential
4 mortgage loan, the originator shall ask the consumer
5 to state the consumer’s preferred language.

6 “(2) LETTERS OF EXPLANATION FOR ORIGINA-
7 TION.—A mortgage originator for a residential mort-
8 gage loan shall—

9 “(A) accept letters of explanation for origi-
10 nation in the consumer’s preferred language;
11 and

12 “(B) include any such letters in the con-
13 sumer’s file.

14 “(3) SHARING OF INFORMATION.—Any time a
15 mortgage originator assigns a residential mortgage
16 loan or contracts with a servicer with respect to a
17 residential mortgage loan, the originator shall in-
18 form the assignee or servicer of the consumer’s pre-
19 ferred language reported under paragraph (1) and
20 provide the assignee or servicer with any letters of
21 explanation for origination described under para-
22 graph (2).”.

23 **SEC. 4. PROTECTING TENANTS AT FORECLOSURE.**

24 (a) EFFECT OF FORECLOSURE ON PREEXISTING
25 TENANCY.—

1 (1) IN GENERAL.—In the case of any fore-
2 closure on a federally-related mortgage loan or on
3 any dwelling or residential real property after the
4 date of enactment of this section, any immediate
5 successor in interest in such property pursuant to
6 the foreclosure shall assume such interest subject
7 to—

8 (A) the provision, by such successor in in-
9 terest of a notice to vacate to any bona fide ten-
10 ant at least 90 days before the effective date of
11 such notice; and

12 (B) the rights of any bona fide tenant, as
13 of the date of such notice of foreclosure—

14 (i) under any bona fide lease entered
15 into before the notice of foreclosure to oc-
16 cupy the premises until the end of the re-
17 maining term of the lease, except that a
18 successor in interest may terminate a lease
19 effective on the date of sale of the unit to
20 a purchaser who will occupy the unit as a
21 primary residence, subject to the receipt by
22 the tenant of the 90-day notice under sub-
23 paragraph (A); or

24 (ii) without a lease or with a lease ter-
25 minable at will under State law, subject to

1 the receipt by the tenant of the 90-day no-
2 tice under subparagraph (A), except that
3 nothing under this subsection shall affect
4 the requirements for termination of any
5 Federal- or State-subsidized tenancy or of
6 any State or local law that provides longer
7 time periods or other additional protections
8 for tenants.

9 (2) BONA FIDE LEASE OR TENANCY.—For pur-
10 poses of this subsection, a lease or tenancy shall be
11 considered bona fide only if—

12 (A) the mortgagor or the child, spouse, or
13 parent of the mortgagor under the contract is
14 not the tenant;

15 (B) the lease or tenancy was the result of
16 an arms-length transaction; and

17 (C) the lease or tenancy requires the re-
18 ceipt of rent that is not substantially less than
19 fair market rent for the property or the unit's
20 rent is reduced or subsidized due to a Federal,
21 State, or local subsidy.

22 (3) DEFINITION.—For purposes of this sub-
23 section, the term “federally-related mortgage loan”
24 has the same meaning as in section 3 of the Real

1 Estate Settlement Procedures Act of 1974 (12
2 U.S.C. 2602).

3 (b) EFFECT OF FORECLOSURE ON SECTION 8 TEN-
4 ANCIES.—Section 8(o)(7) of the United States Housing
5 Act of 1937 (42 U.S.C. 1437f(o)(7)) is amended—

6 (1) by inserting before the semicolon in sub-
7 paragraph (C) the following: “and in the case of an
8 owner who is an immediate successor in interest
9 pursuant to foreclosure during the term of the lease
10 vacating the property prior to sale shall not con-
11 stitute other good cause, except that the owner may
12 terminate the tenancy effective on the date of trans-
13 fer of the unit to the owner if the owner—

14 “(i) will occupy the unit as a primary
15 residence; and

16 “(ii) has provided the tenant a notice
17 to vacate at least 90 days before the effec-
18 tive date of such notice.”; and

19 (2) by inserting at the end of subparagraph (F)
20 the following: “In the case of any foreclosure on any
21 federally-related mortgage loan (as that term is de-
22 fined in section 3 of the Real Estate Settlement Pro-
23 cedures Act of 1974 (12 U.S.C. 2602)) or on any
24 residential real property in which a recipient of as-
25 sistance under this subsection resides, the immediate

1 successor in interest in such property pursuant to
2 the foreclosure shall assume such interest subject to
3 the lease between the prior owner and the tenant
4 and to the housing assistance payments contract be-
5 tween the prior owner and the public housing agency
6 for the occupied unit, except that this provision and
7 the provisions related to foreclosure in subparagraph
8 (C) shall not shall not affect any State or local law
9 that provides longer time periods or other additional
10 protections for tenants.”.

11 (c) RULEMAKING.—The Secretary of Housing and
12 Urban Development shall, not later than the end of the
13 12-month period beginning on the date of the enactment
14 of this Act, issue regulations to carry out this section and
15 the amendments made by this section, and the Secretary
16 shall provide that such regulations take effect not later
17 than the end of the 6-month period beginning on the date
18 the regulations are issued.

19 **SEC. 5. RULE OF CONSTRUCTION.**

20 Nothing in this Act, or the amendments made by this
21 Act, shall be construed as preempting any State or local
22 law with respect to foreclosures that provides greater pro-
23 tections for consumers.

1 **SEC. 6. RULEMAKING.**

2 Except with respect to section 4, the Bureau of Con-
3 sumer Financial Protection shall, not later than the end
4 of the 12-month period beginning on the date of the enact-
5 ment of this Act, issue regulations to carry out this Act
6 and the amendments made by this Act, and the Bureau
7 shall provide that such regulations take effect not later
8 than the end of the 6-month period beginning on the date
9 the regulations are issued.

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